

# I·N·F·O·M·A·T

## A W E E K L Y R E V I E W

Friday, December 2, 1988

### OVERVIEW

#### ■ Pace of Economic Growth Eases

Real gross domestic product rose 0.7% in the third quarter, a somewhat lower growth rate than that recorded for the second quarter.

#### ■ Moderate Reduction on Current Account Deficit

The current account deficit was reduced by \$400 million in the third quarter, continuing the trend of lower deficits evident in 1988.

#### ■ Industrial Operating Profits Weakening

In the third quarter, operating profits of industrial corporations were down 4.3% from the previous quarter, the second quarterly decline in 1988.

#### ■ Marginal Gain in Monthly GDP

Following a sizeable gain in August, real gross domestic product by industry edged up 0.2% in September, matching the increases recorded in June and July.

#### ■ High Level of Foreign Investment Maintained

Net foreign investment in outstanding Canadian bonds amounted to \$774 million in September, continuing the trend of strong investment evident since January 1988.

#### ■ Deceleration in Industrial Prices Continues

The industrial product price index slipped 0.1% in October, continuing the pattern of slower growth noted in recent months.

This issue also includes articles on the **Raw Materials Price Index**, **Television Viewing in Canada**, and **Unemployment Insurance Statistics**.

### Pace of Economic Growth Eases

Gross domestic product in 1981 prices rose 0.7% in the third quarter, a pace somewhat below that registered in the second quarter. All major components of domestic demand advanced in the third quarter, while external demand dropped sharply. In the first three quarters of the year, total output was 4.6% higher than in the corresponding period in 1987 and prices were 4.1% higher.

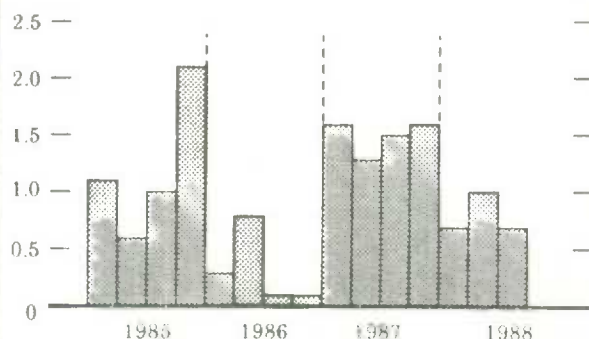
Consumer spending grew 1.1%. The business sector sustained the strong upsurge in plant and equipment investment underway since early 1987 with a further 1.5% increase. Residential investment activity rose 1.2%, after a slight decline in late 1987 and early 1988.

Consumer spending has picked up in the second and third quarters of 1988, after stalling in the first quarter. The durable goods category led the rebound with volume increases of 1.8% in the second quarter and 1.9% in the third. Consumer outlays grew more moderately in the semi-durable and non-durable goods

*(continued on page 2)*

### Real GDP Growth

(% change from previous quarter)



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### ... Pace of Economic Growth Eases

categories, with clothing and footwear sales continuing to recover following a sharp first quarter decline. In the services category, real expenditure continued to increase steadily.

Real merchandise exports dropped 3.1% in the quarter, while service exports grew 2.7%. The decline in the merchandise category was widespread. One important underlying factor has been the ongoing appreciation of the Canadian dollar vis-à-vis the United States dollar. Merchandise imports fell in the third quarter by 2.5%, while service imports increased 2.2%.

On an industry basis, about two-thirds of the third quarter gain originated among services-producing industries. The 0.9% output gain in these industries followed increases of 1.1% in both the first and the

second quarters. Goods-producing industries advanced 0.6% in the third quarter compared to 0.9% in the second and a decline of 0.1% in the first quarter.

After rising 2.2% and 1.6% in the first and second quarters, wages, salaries and supplementary labour income grew 1.3% in the third quarter. This weakening trend in total labour income was a reflection of the pattern in paid-worker employment, which decelerated to 0.2% in the third quarter from 1.1% in the first. Average labour income per employee continued to grow steadily at 1.1%, the rate observed in the first two quarters of the year.

Corporation profits before taxes increased 3.9% in the third quarter. Industrial corporations experienced lower profits, but these were offset by strong profit increases in construction and finance.

*For further information, order National Income and Expenditure Accounts (catalogue number 13-001) or contact Income and Expenditure Accounts Division at (613) 951-9155.*

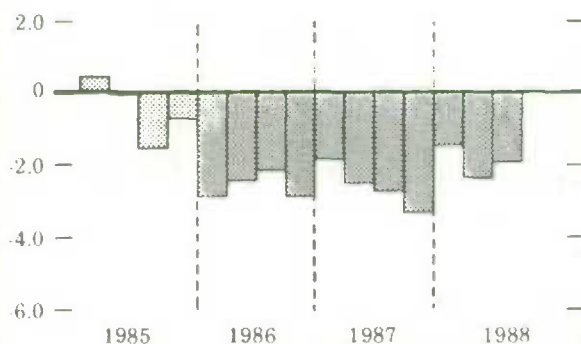
### Moderate Reduction on Current Account Deficit

The seasonally adjusted current account deficit decreased moderately to \$2.0 billion in the third quarter as a result of an increase in the merchandise trade surplus. Both merchandise imports and exports fell, but imports decreased more than exports. The decline in imports was widespread, notably among manufactured products; energy and automotive products led the decline in the value of exports. The deficit on non-merchandise transactions, which includes services, investment income and transfers, was unchanged at \$5 billion.

In the capital account, which is not seasonally adjusted, non-residents continued to invest heavily in Canadian bonds. They redeemed, however, some of their Government of Canada bills and other Canadian money market instruments, following record investments in the previous two quarters. Canadian residents other than banks significantly increased their deposits in the United States. This was somewhat offset by a decline in official international reserve assets from record levels in the first half of the year. Underlying these movements, the Canadian dollar reached a peak against the United States dollar in mid-summer, but then declined over the balance of the quarter.

### Current Account Balance

(billions of dollars, seasonally adjusted)



*For further information, order Quarterly Estimates of the Canadian Balance of International Payments (catalogue number 67-001P) or contact International and Financial Economics Division at (613) 951-9050.*



## Industrial Operating Profits Weakening

In the third quarter, operating profits of industrial corporations declined 4.3% from the previous quarter to a level of \$9.3 billion. This decline came in the wake of a decrease of 4.5% in the first quarter. Together, these decreases more than offset an increase of 7.1% in the second quarter and left the level of profits slightly below the fourth quarter of 1987. The weak performance in 1988 contrasts sharply with strong growth in each quarter of 1987. Sales continued to grow (1.2%), advancing for the tenth consecutive quarter, but the rate of increase has moderated in 1988.

A decline in profits (\$430 million) in the mineral fuels, and petroleum and coal products industries alone was slightly greater than the total decline for all industries. The drop, which represents a decline of almost 70% in the profits of these industries, was largely due to lower crude oil selling prices.

Of the remaining 45 industries, 25 registered declines in operating profits. The most significant of these declines were in transportation equipment and metal mining. Operating profits in transportation equipment industries decreased to \$398 million, following three quarters of strong growth. The decrease in the metal mining industries (\$57 million) reduced operating profits to \$643 million. However, this profit level compared very favourably with the quarterly average in 1987 and the extended period of losses from 1982 to 1986.

Pre-tax profits (which unlike operating profits include investment income and other gains) were virtually unchanged for the third consecutive quarter, remaining at \$13.7 billion. Gains on the sale of investments and fixed assets increased in the quarter and offset the decline in operating profits.

For further information, order *Industrial Corporations: Financial Statistics* (catalogue number 61-003P) or contact *Industrial Organization and Finance Division* at (613) 951-9843.

## Marginal Gain in Monthly GDP

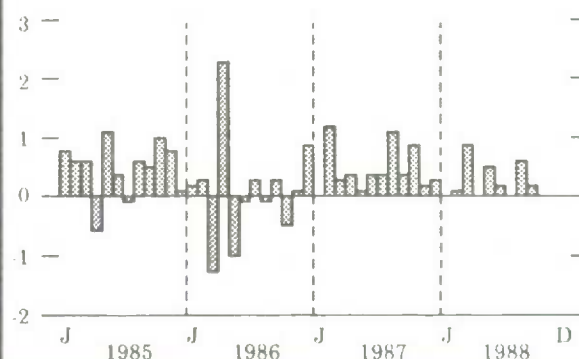
Real gross domestic product at factor cost edged up 0.2% in September, after registering a more sizeable gain in August. This increase matches two months of marginal gains recorded in June and July. Output of the goods-producing industries grew 0.3% in September, while the service-producing industries rose 0.2%, maintaining a pattern of steady growth.

Unlike the service industries, output from the goods-producing industries has been oscillating with the net result being only marginal growth. The moderate gain in September followed strong growth in August and a decline in July. Most of the growth originated in the construction industries. Manufacturing, agriculture and fishing only grew marginally.

The service-producing industries have registered moderate gains for five consecutive months and have been the main contributor to growth in total GDP in

## Gross Domestic Product at Factor Cost

(% change, previous month)



1988. The industries with the largest share of the growth in September were retail trade and the finance, insurance and real estate services. The latter group has registered moderate to strong growth throughout 1988; retail trade has been strengthening in recent months.

For further information, order *Gross Domestic Product by Industry* (catalogue number 15-001) or contact *Industry Measures and Analysis Division* at (613) 951-3673.

## Real Gross Domestic Product

	May	June	July	Aug.	Sept.
	% change, previous month				
Real Gross Domestic Product	0.5	0.2	0.0	0.6	0.2
Goods-producing	1.0	-0.2	-0.3	0.9	0.3
Service-producing	0.2	0.4	0.2	0.4	0.2

## High Level of Foreign Investment Maintained

In September, net foreign investment in outstanding Canadian bonds amounted to \$774 million, continuing the strong investment trend recorded this year. The net investment in the current month was widely distributed geographically, with the exception of Japan which continued to reduce its holdings. In the first nine months of the year, non-residents have invested just over \$7 billion in outstanding Canadian bonds, which is comparable to the record level of investment in 1986.

Non-residents continued to reduce their holdings of Canadian stocks; the net disinvestment amounted to \$356 million in September. A substantial portion of this disinvestment resulted from a company restructuring

### Security Transactions

	May	June	July	Aug.	Sept.
Net sales	millions of dollars				
Canadian Securities					
Bonds	1,074	311	925	541	774
Common and preferred stocks	-110	213	-106	-248	-356
Total	964	523	819	293	418
Foreign Securities					
Bonds	-382	-107	484	-95	-71
Common and preferred stocks	321	-25	-39	-177	-129
Total	-61	-133	445	-271	-200

For further information, order *Security Transactions with Non-residents* (catalogue number 67-002) or contact International and Financial Economics Division at (613) 951-9052.

## Unemployment Insurance Statistics

The number of beneficiaries receiving regular unemployment insurance benefits totalled 884,000 in September, a slight decrease from the preceding month. The small drop may indicate a return to the declining trend in the number of beneficiaries noted since 1983.

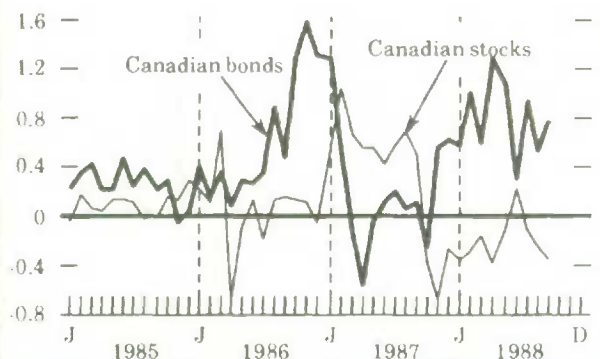
The decline in the number of beneficiaries was observed in most parts of the country. The Northwest Territories, Manitoba and Newfoundland were the only areas where increases were reported.

Total benefit payments, seasonally adjusted, decreased 5.1% in September, after rising for two consecutive months. This decline coincided with a 1.0% reduction in the number of benefit weeks paid.

For further information, order *Unemployment Insurance Statistics* (catalogue number 73-001) or contact Labour Division at (613) 951-4045.

## Net Sales of Outstanding Securities to Non-Residents

(billions of dollars)

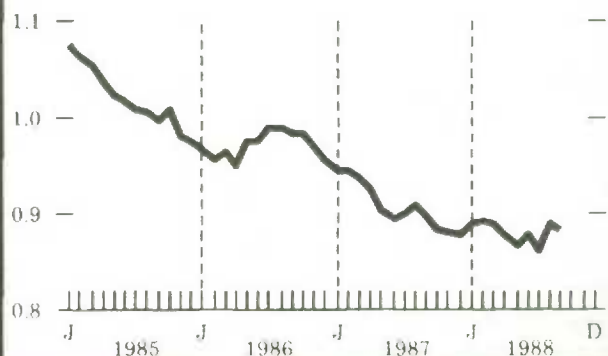


in the course of which foreign investors exchanged common shares for debt. The gross value of stocks traded also continued to decline, reaching its lowest level this year.

Canadian residents acquired, on a net basis, nearly \$129 million of outstanding foreign stocks, somewhat lower than the investment in the previous month. Generally, Canadian holdings of foreign stocks have risen since the start of the year. Residents also increased their holdings of foreign bonds in the current month. The increase of \$71 million was similar to the level of investment in August.

## U.I. Beneficiaries Receiving Regular Benefits

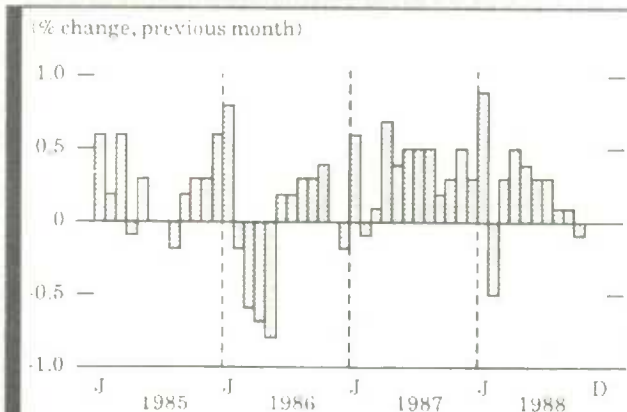
(millions, seasonally adjusted)



## Deceleration in Industrial Prices Continues

- The industrial product price index (IPPI, 1981 = 100) slipped 0.1% in October, continuing the deceleration evident in recent months. Much of the movement in component indexes was the result of a 1.5% decrease in the United States - Canada exchange rate.
- Transportation equipment prices dropped 0.5% in October. This change includes an estimated increase of 3.5% for prices of domestic automobiles, intended to reflect the effect of the introduction of the 1989 model year. However, a drop in the exchange rate was more than enough to offset the estimated increase on domestic prices. Generally, this component has been following a downward trend throughout 1988.
- Prices of petroleum and coal products rose 0.4%. Except for another minor increase recorded in July, prices for these products have followed a downward trend since October 1987.

### Industrial Product Price Index



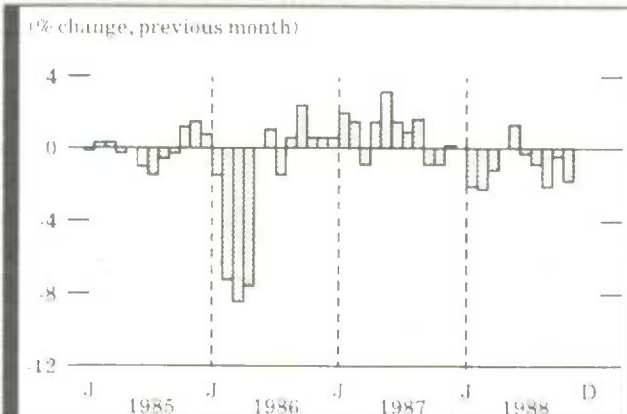
For further information, order *Industry Price Indexes* (catalogue number 62-011) or contact Prices Division at (613) 951-9607.

## Raw Materials Price Index

- The raw materials price index (1981 = 100) was down 1.8% in October, the third decline in four months.
- The mineral fuels component resumed its downward trend by dropping 5.8% in October. Soft prices for crude oil were the main source of this decrease.
- The upward trend in prices for non-ferrous metals continued. The 3.4% increase was primarily due to higher prices for copper concentrates.
- Animal and animal product prices were down (0.5%) in October, while the vegetable products component was down 1.6% after rising slightly in September.

Further information, order *Industry Price Indexes* (catalogue number 62-011) or contact Prices Division at (613) 951-9606.

### Raw Materials Price Index



## Television Viewing in Canada

Canadians spent an average of 23.7 hours per week watching television in the fall of 1987, a level slightly lower than those in the few preceding years.

Since 1980, viewing time has remained relatively stable despite significant increases in the number and variety of viewing options available. Average viewing time has been close to 24 hours per week throughout the 1980s.

Other highlights from *Television Viewing in Canada* include:

- Residents of Newfoundland watched the most television (27.7 hours) while residents of British Columbia watched the least (22.2 hours).
- Teenagers watched 19 hours of television a week.
- Adult women watched the most television, averaging nearly 5 hours a week more than adult men.
- Comedy and drama programs account for more than 46% of total viewing.
- Canadian programs account for 62% of francophone viewing and only 26% of anglophone viewing.

For further information, order *Television Viewing in Canada* (catalogue number S7-208) or contact Education, Culture and Tourism Division at (613) 951-1561.



## LATEST MONTHLY STATISTICS

	Period	Level	Change Previous Period	Change Previous Year
<b>GENERAL</b>				
Gross Domestic Product (billion 1981 dollars)	Sept.*	399	0.2%	3.9%
Composite Leading Indicator (1971 = 100)	Aug.	201.3	0.4%	7.2%
Profits of Industrial Corporations (\$ billion)	3rd Q*	9.30	-4.3%	10.5%
<b>DOMESTIC DEMAND</b>				
Retail Trade (\$ billion)	Sept.	14.0	1.6%	7.0%
New Motor Vehicle Sales ('000 units)	Aug.	131	0.4%	-0.3%
Housing Starts ('000, annual rates)	Aug.	219	21.0%	-12.4%
<b>LABOUR</b>				
Employment (millions)	Oct.	12.4	0.0%	2.3%
Unemployment Rate (%)	Oct.	7.9	0.1	-0.5
Participation Rate (%)	Oct.	66.7	0.0	0.3
Labour Income (\$ billion)	Aug.	26.6	0.8%	7.0%
Average Weekly Earnings (\$)	Sept.*	468.28	0.6%	4.7%
<b>EXTERNAL TRADE</b>				
Merchandise Exports (\$ billion)	Sept.	11.3	-6.5%	6.6%
Merchandise Imports (\$ billion)	Sept.	10.6	-6.5%	10.0%
Merchandise Trade Balance (\$ billion)	Sept.	0.7	0.0	-0.3
<b>MANUFACTURING</b>				
Shipments (\$ billion)	Sept.	24.4	1.0%	6.1%
New Orders (\$ billion)	Sept.	24.7	0.9%	5.6%
Unfilled Orders (\$ billion)	Sept.	28.3	0.9%	21.8%
Inventory/ Shipments Ratio	Sept.	1.55	-0.01	0.0
Capacity Utilization (%)	2nd Q	81.5	0.2	2.8
<b>PRICES</b>				
Consumer Price Index (1981 = 100)	Oct.	145.7	0.5%	4.2%
Industrial Product Price Index (1981 = 100)	Oct.*	128.4	-0.1%	3.1%
Raw Materials Price Index (1981 = 100)	Oct.*	93.7	-1.8%	-10.2%
New Housing Price Index (1981 = 100)	Sept.	135.2	1.8%	10.8%

*Note: All series are seasonally adjusted with the exception of average weekly earnings and the price indexes.*

*\* New this week.*

# PUBLICATIONS RELEASED FROM NOVEMBER 25 TO DECEMBER 1

## AGRICULTURE

**Cereals and Oilseeds Review**, August 1988. Catalogue number 22-007 (Canada: \$11.50/\$115; Other Countries: \$12.50/\$125).

**Farm Product Price Index**, September 1988. Catalogue number 62-003 (Canada: 6.50/\$65; Other Countries: \$7.50/\$75).

**Field Crop Reporting Series, No. 8, Production of Principal Field Crops, Canada**, November 1988 Estimates. Catalogue number 22-002 (Canada: \$7.50/\$52; Other Countries: \$8.50/\$58).

## CENSUS

**Profiles - Census Tracts - North Bay: Part 2**, 1986 Census of Canada. Catalogue number 95-132 (Canada: \$25; Other Countries: \$26).

**Profiles - Census Tracts, St. John's: Part 2**, 1986 Census. Catalogue number 95-150 (Canada: \$25; Other Countries: \$26).

## EDUCATION, CULTURE AND TOURISM

**Culture Statistics: Television Viewing in Canada, 1987**. Catalogue number 87-208 (Canada: \$24; Other Countries: \$25).

## INDUSTRY

**Canned and Frozen Fruits and Vegetables**, September 1988. Catalogue number 32-011 (Canada: \$4.50/\$45; Other Countries: \$5.50/\$55).

**Construction Type Plywood**, September 1988. Catalogue number 35-001 (Canada: \$4.50/\$45; Other Countries: \$5.50/\$55).

**Corrugated Boxed and Wrappers**, October 1988. Catalogue number 36-004 (Canada: \$4.50/\$45; Other Countries: \$5.50/\$55).

**Department Store Monthly Sales, by Province and Metropolitan Area**, September 1988. Catalogue number 63-004 (Canada: \$2.50/\$25; Other Countries: \$3.50/\$35).

**Department Store Sales and Stocks**, March 1988. Catalogue number 63-002 (Canada: \$13/\$130; Other Countries: \$14/\$140).

**Electric Lamps (Light Bulbs and Tubes)**, October 1988. Catalogue number 43-009 (Canada: \$4.50/\$45; Other Countries: \$5.50/\$55).

**Electric Power Statistics**, Vol. 1, 1987 Actual and 1988 - 1997 Forecast. Catalogue number 57-204 (Canada: \$25; Other Countries: \$26).

**Mineral Wool Including Fibrous Glass Insulation**, October 1988. Catalogue number 44-004 (Canada: \$4.50/\$45; Other Countries: \$5.50/\$55).

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**Production and Disposition of Tobacco Products**, October 1988. Catalogue number 32-022 (Canada: \$4.50/\$45; Other Countries: \$5.50/\$55).

## INDUSTRY - Concluded

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**Shipments of Plastic Film and Bags Manufactured from Resin**, Quarter Ended September 30, 1988. Catalogue number 47-007 (Canada: \$6.25/\$25; Other Countries: \$7.25/\$29).

**The Sugar Situation**, October 1988. Catalogue number 32-013 (Canada: \$4.50/\$45; Other Countries: \$5.50/\$55).

## INDUSTRY MEASURES AND ANALYSIS

**Gross Domestic Product by Industry**, August 1988. Catalogue number 15-001 (Canada: \$11.50/\$115; Other Countries: \$12.50/\$125).

## INTERNATIONAL AND FINANCIAL ECONOMICS

**Quarterly Estimates of the Canadian Balance of International Payments**, Third Quarter 1988. Catalogue number 67-001P (Canada: \$9.25/\$37; Other Countries: \$10.25/\$41).

## GENERAL

**Standard Classification of Goods, 1988**. Catalogue number 12-580E (Canada: \$81; Other Countries: \$104).

**Statistics Canada Catalogue Supplement, 1988**. Catalogue number 11-204E

## TRANSPORT

**Railway Operating Statistics**, September 1988. Catalogue number 52-003 (Canada: \$9.50/\$95; Other Countries: \$10.50/\$105).

**Surface and Marine Transport Service Bulletin, Vol. 4, No. 7, Preliminary Marine Transport Statistics, 1987**. Catalogue number 50-002 (Canada: \$8.50/\$85; Other Countries: \$9.50/\$95).

## SCIENCE, TECHNOLOGY AND CAPITAL STOCK

**Building Permits**, July 1988. Catalogue number 64-001 (Canada: \$20/\$200; Other Countries: \$21/\$210).

**Housing Starts and Completions**, August 1988. Catalogue number 64-002 (Canada: \$16.50/\$165; Other Countries: \$17.50/\$175).



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**KEY RELEASE CALENDAR: December 1988\***

Monday	Tuesday	Wednesday	Thursday	Friday
			1	2 Labour Force Survey, November
5 Composite Leading Indicator, September	6	7 Labour Income, September	8 Financial Flows, 3 <sup>rd</sup> Quarter Help-wanted Index, November	9 New Housing Price Index, October International Travel, October Farm Product Price Index, October
12 New Motor Vehicle Sales, October Department Store Sales, October	13 Housing Starts, October	14 International Trade, October	15	16 Consumer Price Index, November
19 Capacity Utilization Rates, 3 <sup>rd</sup> Quarter Financial Institutions: Financial Statistics, 3 <sup>rd</sup> Quarter	20 Retail Trade, October Manufacturing Industries, October	21 Building Permits, October Wholesale Trade, October	22 Security Transactions, October Unemployment Insurance Statistics, October Department Store Sales and Stocks, October	23 Employment, Earnings and Hours, October Refined Petroleum Products, November
26	27	28	29 Gross Domestic Product, October	30

\* Release dates for International Trade, the Consumer Price Index and the Labour Force Survey are fixed; dates for other data series may vary slightly.

**I.N.F.O.M.A.T****A Weekly Review**

Published by the Communications Division  
Statistics Canada.

Senior Editor: Greg Thomson (613) 951-1116  
Editor: Linda McCormick (613) 951-1197

R.H. Coats Building, Tunney's Pasture, Ottawa, Ontario K1A 0T6.

Catalogue: 11-002E. Price: Canada, \$2/\$100; other countries, \$3/\$150. To subscribe: send money order or cheque payable to the Receiver General for Canada/Publication Sales, Statistics Canada, Ottawa, Ontario K1A 0T6 or telephone Publication Sales at 1-800-267-6677.

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